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SUBJECT: CODEL KOLBE: KOCHARIAN REQUESTS BENCHMARKS TO
ASSESS PROGRESS FOR MCC

REF: A) YEREVAN 482 B) YEREVAN 529 (EXDIS)

Classified By: Amb. John M. Evans for reasons 1.4 (b, d).

SUMMARY

¶1. (C) During their April 10-12 visit to Yerevan (ref A), Chairman of the U.S. House of Representatives' Appropriations Subcommittee for Foreign Operations Jim Kolbe, Congressman Scott Garrett and Millennium Challenge Corporation (MCC) CEO Amb. John Danilovich discussed developments related to implementation of the recently signed MCC compact and other issues with Armenian President Kocharian (ref B), Speaker of the National Assembly Baghdasarian, Minister of Finance Vardan Khachatryan and representatives from civil society. The delegation also met with Foreign Minister Oskanian and discussed his recent visit to Syria and Armenia's relationship with Iran (septel). In several of the meetings, Armenian interlocutors (including President Kocharian) requested that the USG identify clear benchmarks by which to measure progress towards democratic reform and continued eligibility for the MCC criteria. End Summary.

KOCHARIAN REQUESTS BENCHMARKS TO MEASURE DEMOCRATIC REFORM

¶2. (C) The delegation had a productive meeting with President Kocharian (full readout at ref B). The Congressmen and Ambassadors Danilovich and Evans underscored to Kocharian that critical steps needed to be taken in the very near-term to help ensure that the upcoming Parliamentary (2007) and Presidential (2008) elections were free and fair. This was particularly the case given the procedurally flawed referendum on Constitutional Amendments held in November ¶2005. Kocharian said he understood the importance of this issue and that democratic reform was linked to Armenia's continued eligibility for funding under the MCC. He asked Kolbe if the USG could provide more specific criteria by which to assess Armenia's progress. Kocharian indicated that there was a high level of uncertainty about what exactly was required to remain eligible for MCC funding and said it would be preferable to have specific guidelines so that the GOAM could better understand what the MCC and USG would like to see.

KOLBE ON DEMOCRATIC REFORM: THE MCC NEEDS GUIDELINES

13. (C) Kocharian's request echoed statements made by Chairman Kolbe at a meeting with USG implementors working on democratic reform. Participants at the meeting included chiefs of party of the International Research and Exchanges Board (IREX), National Democratic Institute (NDI), International Election Monitoring NGO (IFES), Counterpart International, American Bar Association Central European and Eurasian Law Initiative (ABA/CEELI), and Armenia Legislative Strengthening Program (ALSP). Kolbe heard assessments of each group's progress toward implementing democratic reform initiatives. Interlocutors noted that public apathy, spurred by a pattern of GOAM influence over NGOs (according to Counterpart International's Alex Sardar) and perpetuated by a lack of political will or government follow-through on prior reform pledges (according to NDI's Taline Sanasserian) hindered civil society reform efforts. ABA/CEELI's Karen Kendrick said "a history of corruption and executive influence," contributed to these problems. The one bright spot, Kendrick noted, was the newly formed Armenian Council of Judges which had undertaken "an ambitious plan" in the form of legislation currently in the vetting phase at the Ministry of Justice to increase judicial independence. "We have yet to see if the judiciary will enforce the plan, however," Kendrick noted.

14. (C) "We need the MCC to back us," IREX Country Director Bob Evans told Chairman Kolbe and Congressman Garrett. "Make it very clear" that the Government of Armenia needs to support our reform efforts and produce fair parliamentary and presidential elections, Amb. Evans added. Kolbe said that MCC's appropriate response would be to set key milestones and clear guidelines by which the GOAM's progress on project implementation could be judged. "It is only fair," Kolbe said, "that the MCC tells the Armenian Government what we

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expect."

BAGHDASARIAN: MCC NEEDS TO FOCUS ON ANTI-CORRUPTION

15. (C) The MCC Compact was also the focus in the delegations' meeting with National Assembly Speaker Artur Baghdasarian. In that meeting Kolbe underscored the USG commitment to a successful MCC: "The United States will be watching closely," he said. "We are serious when we say that there has to be adherence to rule of law. We don't want to be in the difficult position of withdrawing this program," Kolbe told Baghdasarian. Baghdasarian told Kolbe and Garrett that he agreed, and that "fighting corruption" was "one of the most important missions of the MCC." Kolbe told Baghdasarian that the purpose of the MCC was "transformational economic changes" that, over the long term, would "mediate and eventually eradicate poverty," and ultimately set the stage for a democratic Armenia. While he was pleased to hear Baghdasarian's support for the MCC as a tool of democratic reform, anti-corruption and civil society empowerment, Kolbe said the true test of the GOAM's commitment to good governance would be the free and fair administration of the 2007 and 2008 elections. Baghdasarian said he hoped to travel to the U.S. "in July," and that, as part of his trip, he hoped to meet with the U.S. House of Representatives Democracy Assistance Commission (of which Kolbe is a senior member). Baghdasarian said he hoped to work with members of the Commission to look at options for making the Armenian Parliament "open and transparent." Chairman Kolbe said he would alert the commission to Baghdasarian's expected visit.

ROUNDTABLE: CIVIL SOCIETY'S RELATIONSHIP WITH THE GOAM

16. (C) During a roundtable discussion moderated by Ambassador Evans, Congressman Kolbe heard considerable skepticism from civil society leaders about the GOAM's commitment to

achieving measurable progress in the Millennium Challenge Compact's 16 good-governance indicators. Pervasive, government-wide corruption (according to Transparency International's Amalia Kostanian), tightening state control (according to Open Society Institute's Larissa Minasian), and a distinct lack of political will to change the status quo (according to Armenian Forests NGO's Jeffrey Tufenkian (Amcit)), have combined to threaten the effective implementation of MCC Armenia's assistance program. Participants asserted that the USG should strictly hold the GOAM to the MCC indicators to continue the compact, but expressed doubt that safeguards could impede government corruption, particularly since "MCC gave control of the funds to the government" (according to MCA Armenia NGO Board Member and Asparez Journalists Club President Levon Barseghyan). "Corruption has adapted, it's smart," Transparency International's Amalia Kostanian told Kolbe. "Despite sound legislation, statutes requiring declarations of income and assets, and civil society monitoring," public officials would continue to line their pockets unless MCC monitors were persistent, consistent and vigilant, Kostanian said.

¶7. (C) Though the GOAM "tolerates" civil society organizations, Yerevan Press Club President Boris Navasardyan told Kolbe the GOAM "is not happy that we exist." Civil society leaders mostly agreed that they could operate without fear of outright reprisal from the government. They asserted, however, that the government had exercised "sophisticated control" of the media and private enterprise, "not brutal, but nonetheless effective." The government was now slowly shifting gears from its successful campaign against free media and private enterprise to extend its control to NGOs and civil society, Navasardyan said. "People can lose everything here," MCA Armenia NGO Board Member and Asparez Journalists Club President Levon Barseghyan told Kolbe. "Media owners know what they can and can not get away with," Barseghyan said. "If they cross the line, they can lose their license and their livelihood," he said.

COMMENT

¶8. (C) The request for additional clarification concerning continued eligibility for the MCC from both President

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Kocharian and representatives of civil society requires a thoughtful and thorough response. While we must be cautious to avoid a checklist approach that may be construed as setting minimal requirements for continued participation, we believe it makes sense to provide the GOAM and civil society with some illustrative examples of what we would consider to be steps forward in the democratic reform process and possibly also actions that might cause slippage. We propose to identify some appropriate examples or targets from among the benchmarks and assessment tools that are already integrated into our on-going assistance plans and our Mission Performance Plan. We welcome the opportunity to work together with the MCC in crafting the US Government's response to this request.

¶9. (U) Congressmen Kolbe and Garrett and Amb. Danilovich did not have an opportunity to clear this message before departing Yerevan.

EVANS